

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 21, 2015

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1248 by West (Relating to a franchise tax credit for entities that employ certain students in certain paid internship or similar programs.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1248, As Introduced: an impact of \$0 through the biennium ending August 31, 2017.

Additionally, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of (\$4,000,000) for the 2016-17 biennium. Any loss to the Property Tax Relief Fund must be made up with an equal amount of General Revenue to fund the Foundation School Program.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	\$0
2017	\$0
2018	\$0
2019	\$0
2020	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>Property Tax Relief Fund</i> 304
2016	\$0
2017	(\$4,000,000)
2018	(\$4,000,000)
2019	(\$4,000,000)
2020	(\$4,000,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, to add a franchise tax credit for providing paid internships to certain students. A taxable entity would qualify for a

credit for each eligible student who completes an eligible internship offered by the taxable entity. "Eligible student" would be defined as a high school student who has reached the minimum age under the Texas Labor Code to work in the eligible internship program. "Eligible internship program" would be defined as a paid internship or other program that meets Texas Workforce Commission rules adopted as part of curriculum requirements for an endorsement under the Education Code, or is a course of study in a nontraditional secondary education similar to the curriculum requirements adopted by the commissioner of education.

The amount of credit would be \$1,000 for each eligible student who completes an eligible internship program offered by the taxable entity in this state. The Comptroller would be directed to promulgate an application form for the credit. A taxable entity could claim a credit against tax owed for a privilege period only for students who complete eligible internship programs during the privilege period.

The bill would take effect on January 1, 2016. Credit for an internship could be earned only for an internship that is completed on or after the effective date of the bill and only on a franchise tax due on or after January 1, 2016.

Methodology

There would be no fiscal impact in 2016 since an internship completed after the effective date of the bill would be claimed on a report due in 2017 or later. The fiscal impact for years 2017 to 2020 is based on information the "High School Careers Study" prepared by Millennial Branding and Internships.com, and on information from the State of Florida regarding the "Florida Student Intern Program."

The requirement that the credit could only be claimed against the tax owed for a privilege if the qualified internship were completed during the privilege period may be contradictory.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD